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### INCOME SUPPORT PAYMENTS IN AUSTRALIA

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#### INTRODUCTION

Over the last 30 years there has been a significant increase in the proportion of the Australian population receiving government income support. The provision of income support is now one of the most important functions of the Commonwealth Government. These government benefits affect the living standards of a high proportion of the Australian population.

This article describes broad trends in levels of receipt of government benefits, and details the patterns of receipt of benefits in 1998.

There is a wide variety of benefit payments available from the Commonwealth Government. Income support payments include pensions or allowances paid on behalf of the Department of Family and Community Services through Centrelink, or by the Department of Veterans' Affairs (DVA). In addition, there is also a range of supplementary payments, e.g. to assist families with children.

#### Longer term trends

Graph S3.1 shows that between 1966 and 1998 the proportion of the adult population (aged 15 years and over) who were social security income support recipients increased from under 11% to 27%. Over this period the total number of income support recipients increased from around 900,000 to nearly 4.8 million. The graph also shows that the proportion of the population receiving cash benefits has fluctuated over time, rising over the second half of the 1970s and the early 1980s, then falling between 1983 and 1990. The proportion then increased significantly, before flattening from 1994.

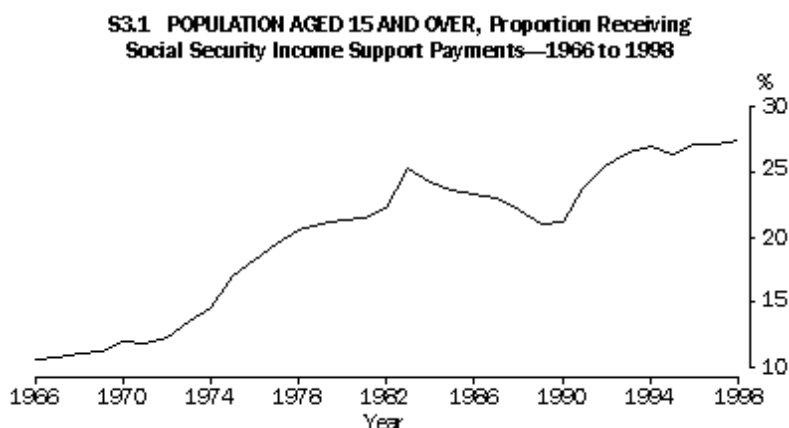


Table S3.2 provides details of trends in the number of recipients of various cash payments from the former Department of Social Security and the Department of Veterans' Affairs for selected years from 1965 to 1998.

### S3.2 RECIPIENTS OF CASH PAYMENTS - At 30 June

	1965 '000	1970 '000	1975 '000	1980 '000	1985 '000	1990 '000	1995 '000	1997 '000	1998 '000
Age Pension	628.1	779	1,097.2	1,321.9	1,331.8	1,340.5	1,578.7	1,680.2	1,682.6
Age Pension-Wives	3.5	6.6	21.9	30.8	22.9	23.8	39.6	36.6	36.2
Disability Support Pension(a)	107.5	134.5	171.5	236.8	271.5	328.2	464.4	527.5	553.3
Disability Support Pension-Wives	12.8	16.2	28.9	60.2	74.8	91.9	121.8	91.3	79.9
Carer Pension	..	..	..	..	2.7	8.8	20.1	29.6	34
Parenting Payment-single(b)	29.7	44.1	102.5	161.6	246.3	248.9	324.9	358.9	372.3
Parenting Payment-partnered(c)	..	..	..	..	..	..	..	239.3	236.6
Class B Widows(d)	35.7	42.8	54.3	75	81.6	79	55	18.9	13.6
Widows Allowance	..	..	..	..	..	..	8.7	17.5	24.7
Unemployment Allowances(e)	12.7	13	160.7	311.2	561.4	419.8	795.5	801.8	790.3
Unemployment Allowances-Partners(f)	3.5	4.4	33	66.3	147.2	126	..	..	..
Mature Age Allowance	..	..	..	..	..	..	39	53.4	50.7
Mature Age Allowance-Partners	..	..	..	..	..	..	15.1	7.3	4.4
Sickness Allowance	10.2	8.8	25.5	36.8	62	79.2	46.1	15.8	16.3
Sickness Allowance-Partners(f)	4.2	3.9	11.2	13.1	20.4	26.3	..	..	..
Special Benefit	2.4	3.8	5.6	20.9	18.9	27.9	20.5	14.6	10.2
Special Benefit-Partners(f)	0.9	1.3	1.7	3.4	4.7	8.2	..	..	..
Partner Allowance	..	..	..	..	..	..	216.7	72.1	77.7
Total Social Security Pensioners/ and Beneficiaries	851.1	1,058.5	1,714	2,338	2,846.3	2,808.4	3,746.2	3,964.8	3,982.9
Student Assistance	18.5	35.2	67.2	81.9	93.7	339.1	433.8	404.7	384.6
DVA Service pensions(g)	65.2	74.4	121.6	240	392.5	386.3	347.7	389.5	387.6
<b>Total Cash Benefit Recipients</b>	<b>934.8</b>	<b>1,168.1</b>	<b>1,902.8</b>	<b>2,659.9</b>	<b>3,332.5</b>	<b>3,533.8</b>	<b>4,527.7</b>	<b>4,759</b>	<b>4,755.1</b>
Basic Family Payment (Children)	3,710.6	4,079.4	4,283.3	4,233.9	4,323.5	3,672.5	3,486.3	3,491.2	3,418.9
Income Support Payment(h)	..	..	372.9	524.8	779.2	710.8	983.4	1,196.2	1,220.4
Workforce Payment	..	..	..	..	74.9	437.5	687.9	625	579

- (a) Includes Sheltered Employment and Rehabilitation Allowees in relevant years.
- (b) Includes Class A Widows' Pension, Supporting Mothers'/Parents' Benefit and Sole Parent Pension.
- (c) Originally Parenting Allowance-excludes those receiving only Basic Parenting Payment.
- (d) Includes Class C Widows' Pension, Widowed Person's and Bereavement Allowances.
- (e) Includes Youth Training Allowance.
- (f) Partners of Unemployment, Sickness or Special Benefits recipients received Partner Allowance from September 1994 and Parenting Allowance from June 1995.
- (g) Service Pensioners only.
- (h) First reference period is 1976.

Source: Department of Social Security: Ten Yearly Statistical Summary; Annual Report; and DSS Customers: A Statistical Overview, various years.

## Age Pension Coverage

Trends in receipt of payments are the consequence of differing levels and trends for different age groups. The aged<sup>1</sup> as a proportion of the total population have been growing steadily since the 1970s, from 10% in 1971 to 14% in 1998.

Graph S3.3 shows recipients of social security income support as a proportion of the pension age population from 1966 to 1998. Coverage of age pensions increased significantly in the 1970 to 1975 period, due to the phased abolition of the means test. Reductions in coverage were significant in the period 1980 to 1990, associated mainly with the reimposition of the income test on pensioners aged 70 years and over and the reintroduction of the assets test. Changes in the number of DVA pensioners have also affected numbers receiving the age pension. This is essentially a cohort effect, as the group of World War II veterans moved into retirement.



## Workforce age recipients - 1966 to 1998

Graph S3.4 shows receipt of pensions and benefits among persons of workforce age<sup>2</sup> from 1966 to 1998. The proportion of the population of workforce age receiving social security income support remained below 5% until 1974. In this period, the majority of male recipients were invalid pensioners, while women received invalid, wife or widow pensions.

While reliance on these payments grew after 1975, the growth in the numbers receiving unemployment benefits from 1975 onwards dramatically altered the profile of income support<sup>3</sup> for people of workforce age. The number of recipients also increased as the result of the introduction of new payments for sole mothers, the number of which initially grew rapidly.

The proportion of the population of workforce age receiving payments had grown to nearly 16% by 1983, and then fell below 14% in 1989, before stabilising at around 18% from 1993 onwards.



### Numbers receiving payment in 1998

At June 1998 there were 4,756,000 recipients of income support payments, comprising:

- 3,983,000 (about 84%) receiving social security pensions and allowances;
- 388,000 (8%) receiving service pensions; and
- 385,000 (8%) receiving student assistance.

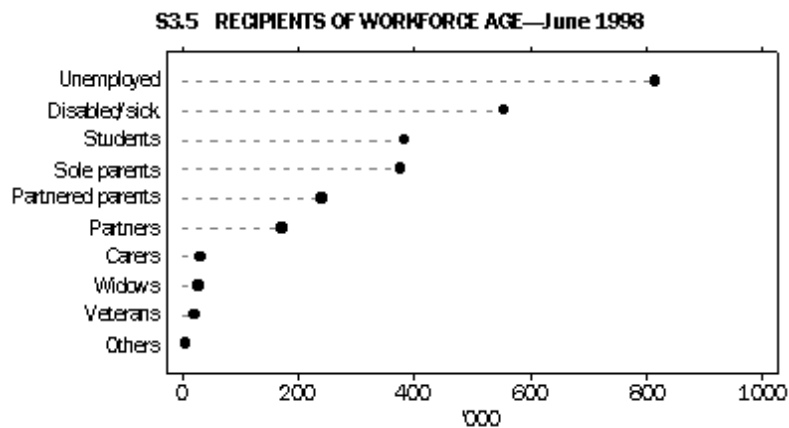
This represents 32% of the population aged 15 years and over.

The aged comprise 2,114,000 (over 44% of the total recipients of income support payments) who are usually receiving an age pension or service pension. They represent 82% of the aged population.

In June 1998 there were 2,642,000 people of workforce age receiving payments. Of these:

- the unemployed comprised 31% (including the temporarily incapacitated and people receiving mature age allowances);
- those receiving disability support pension (553,300) or sickness allowance (16,300) comprised 21%;
- students comprised 15%;
- sole parents comprised 14% and partnered parents 9% of recipients of workforce age, giving a combined total of 23%;
- the wives of age and disability support pensioners, along with the older partners of other pensioners and allowees, comprised 7% of recipients of workforce age;
- recipients of Carer Payment represented 1% of workforce age recipients, and widows a further 1%;
- there were 23,000 veterans of workforce age receiving payment, representing 1% of that group; and
- the remaining 0.2% received special benefit or a disaster relief payment. Of the former, most were older people who did not meet the residence requirements for the Age Pension.

The numbers involved in each of these categories are illustrated in graph S3.5.



There are important differences in receipt of payments by gender, as shown in graph S3.6. Nearly 59% of current income support recipients are women. There are a number of reasons for this. Pension age is lower for women than for men, and there are more women than men over 65. Nearly 17% of men of pension age are receiving veterans' pensions, compared with only 6% of women. Finally, women are slightly more likely than men at all ages to be receiving income support, presumably because of lower income and assets.

In the case of the population of workforce age, men and women have very different patterns of payment. Men predominantly receive unemployment payments (52% of recipients), disability payments (29%) or student assistance (12%). Only 6% receive payments as parents, carers or partners.

On the other hand, over half the women are receiving payments as parents or carers (45%) or as partners or widows (18%), very significantly reducing their reliance on unemployment or disability payments.

Young people (aged 16-26) have a slightly higher rate of reliance on income support than the 27-50 age group, largely due to student assistance. The proportion receiving income support increases markedly from 19% at age 51, reaching 38% by age 59, and 80% by 68.

These estimates of coverage are calculated as rates of receipt by comparing the total number of social security recipients and the total population. For the purposes of analysis, part-rate pensioners are treated the same as persons with no other income apart from government cash benefits. To some extent this will give an exaggerated picture of levels of reliance on income support.

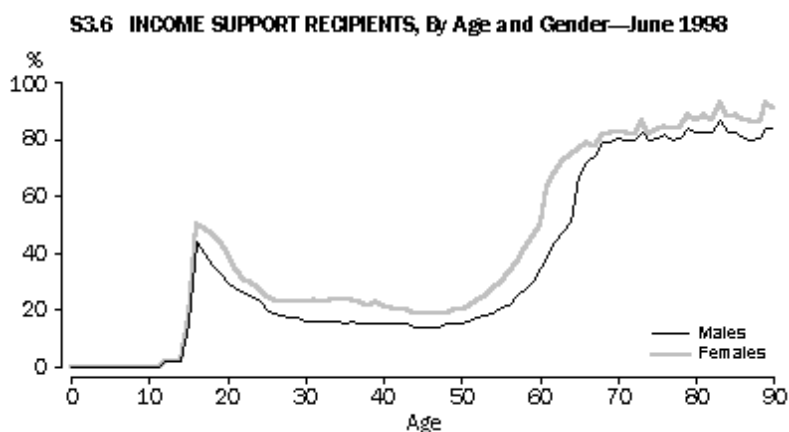


Table S3.7 provides estimates of the distribution of receipt of government pensions and

allowances from all sources as a percentage of the total income of Australian income units<sup>4</sup> in 1997-98. This is a more comprehensive measure of the contribution of government cash payments to incomes.

The table also shows levels and patterns of receipt classified by the age group of the reference person in the income unit, and estimates for sole parents and couples with children - two groups of considerable interest. The identification of cash benefits as the income unit's principal source of income means that it is the largest single source, usually but not always 50% or more. In terms of substantial reliance on income support, the column showing those receiving 90% or more of their income from benefits is most relevant.

While total coverage of pensions and allowances among the population aged 65 years and over is generally around 80%, this table shows that 55% of the age group receive 90% or more of their income from cash benefits. One-parent income units are also likely to have high rates of receipt of government cash benefits, more than 60% of one-parent income units having benefits as their principal source of income, and 37% receiving more than 90% of their income from benefits. In contrast, couples with dependent children have relatively low levels of reliance on benefits, with only 11% having benefits as their principal income source, and 8% receiving 90% or more of their income from this source.

### **S3.7 CONTRIBUTION OF GOVERNMENT PENSIONS/ALLOWANCES TO GROSS INCOME OF INCOME UNITS(a) - 1997-98**

	Nil and less than 1%	1% and less than 20%	20% and less than 50%	50% and less than 90%	90% and over	Total(b) %	Principal source of income(c) %
	%	%	%	%	%		%
Reference person 15-24	69.1	1.9	2.7	2.8	16.2	100.0	19.0
Reference person 25-34	60.0	14.0	5.1	4.2	14.1	100.0	18.3
Reference person 35-44	45.8	28.9	6.6	4.6	12.9	100.0	17.7
Reference person 45-54	63.4	15.0	3.6	3.5	12.8	100.0	16.4
Reference person 55-64	52.4	5.7	4.2	7.7	28.1	100.0	36.3
Reference person 65 and over	13.6	4.0	8.8	16.4	56.5	100.0	73.4
Couple with dependent children	34.7	44.2	8.9	2.9	8.3	100.0	11.2
One-parent	10.7	16.7	11.0	23.8	36.8	100.0	61.6
<b>All income units</b>	<b>50.3</b>	<b>12.5</b>	<b>5.3</b>	<b>6.5</b>	<b>23.0</b>	<b>100.0</b>	<b>29.6</b>

(a) Per cent of income units by per cent of gross income.

(b) Total includes income units with nil or negative total income.

(c) Principal source of income is government pensions or allowances.

Finally, table S3.8 shows trends since 1981-82 in the distribution of all Australian income units by the proportion of their gross income contributed by government cash benefits. Since the middle of the 1980s between 26% and 30% of Australian income units have had cash benefits as their principal income source. Prior to this the level appeared somewhat lower at around 23%. The role of cash benefits in the income of income units has increased after each recession. The proportion receiving 90% or more of their income from government benefits has of course been lower and, since the increase in unemployment in the early 1990s, has remained stable at around 23%.

### S3.8 CONTRIBUTION OF GOVERNMENT PENSIONS/ALLOWANCES TO GROSS INCOME OF INCOME UNITS(a)

	Nil and less than 1%	1% and less than 20%	20% and less than 50%	50% and less than 90%	90% and over %	Total(b) %	Principal source of income(c) %
	%	%	%	%	%	%	%
1981–82	39.2	34.2	3.9	7.5	15.7	100.0	23.2
1985–86	48.3	21.7	2.4	6.8	20.8	100.0	27.7
1990	51.2	19.2	3.2	7.9	18.6	100.0	26.6
1994–95	50.0	13.9	5.1	5.3	23.3	100.0	28.8
1995–96	50.2	13.5	5.1	6.2	22.6	100.0	29.0
1996–97	49.8	13.4	4.6	6.8	23.0	100.0	30.0
1997–98	50.3	12.5	5.3	6.5	23.0	100.0	29.6

(a) Per cent of income units by per cent of gross income.

(b) Total includes income units with nil or negative total income.

(c) Principal source of income is government pensions or allowances.

Source: Income Distribution, various years (6523.0).

## Endnotes

- 1 The aged are defined as men aged 65 and over, and women aged 60 and over. For the purpose of clarity, the phased increase in women's age pension age has not been taken into account in this discussion.
- 2 The workforce age population is defined as men aged 15-64 and women aged 15-59 inclusive.
- 3 Until 1994, partners of allowees were not paid individually. See also notes to table S3.2.
- 4 Income units are single persons, or groups of persons within households, whose income is assumed to be shared. Income sharing is assumed to take place within married and de facto couples and between parents and dependent children.

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